

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

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FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 4372

INFO AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 1076

E.O. 11652: GDS

TAGS: EINV, ENRG, MO

SUBJ: SETTLEMENT OF ESSO CASE

REF: CASABLANCA 0990

1. JOHN ROOT, VICE PRESIDENT ESSO AFRICA, OCTOBER
1 INFORMED CONGEN OF PROGRESS MADE TOWARD SETTLEMENT
OF ESSO CASE IN RECENT TALKS WITH MOHAMED DOUEIB,
PRESIDENT OF SOCIETE NATIONALE DES PRODUITS PETROLIERS
(SNPP). ACCORDING TO ROOT, HE AND DOUEIB DISCUSSED
FOUR REMAINING ITEMS ON WHICH AGREEMENT NEEDED TO
COMPLETE PACKAGE. OF THESE DURING RECENT TALKS AGREE-
MENT WAS REACHED ON TWO, DOUEIB SEEMED AMENABLE TO
ESSO POSITION ON THIRD, AND FOURTH WILL BE DISCUSSED
BY ESSO AND SNPP IN NEAR FUTURE.

2. BASIC AGREEMENT WAS REACHED ON: A) ESSO SALE TO
WHATEVER COMPANY SNPP ESTABLISHES AS SUCCESSOR TO
ESSO STANDARD MAROC OF ABOUT 1,000 TONS OF LUBRICANTS
EACH YEAR-THIS ARRANGEMENT WOULD LAST FOR MINIMUM
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OF 5 YEARS. B) ESSO INVOLVEMENT IN BLENDING OF

SPECIAL FUELS AND LUBRICANTS FOR SALE UNDER ESSO SEAL IN MOROCCO. THIS WOULD ENTAIL ESSO'S PROVIDING PROPER ADDITIVES TO BE BLENDED WITH "BASE STOCK" (WHICH SNPP BUYS IN BULK FROM BRITISH PETROLEUM), PROVIDING MOROCCANS WITH FORMULAS FOR DESIRED BLENDS, AND SENDING ESSO MAN OCCASIONALLY TO CHECK THAT BLENDS ARE CORRECT. THIS AGREEMENT TOO WOULD BE FOR FIVE YEARS.

3. SNPP HAD WANTED ESSO TO ACT AS AGENT FOR SUCCESSOR COMPANY TO ESSO-STANDARD MAROC FOR MAKING BIDS FOR SALE OF AVIATION FUEL TO FOREIGN AIRLINES AT NOUSASSEUR AIRPORT, BILLING ANY PURCHASERS AND THEN TURNING MONEY OVER TO SUCCESSOR COMPANY. (ROOT WONDERED WHY, SINCE THE OTHER BIDDERS WOULD BE AGIP, TEXACO AND TOTAL, ALL HALF OWNED BY THE MOROCCAN GOVERNMENT.) ESSO'S LAWYERS DO NOT LIKE ARRANGEMENT, SEEING IN IT POSSIBLE ANTI-TRUST PROBLEMS SINCE ESSO ITSELF BIDS ON AIRPORT CONTRACTS ELSEWHERE, AND MIGHT BE COMPETING IN (E.G.) LONDON WITH THE SAME COMPANY IT WAS REPRESENTING IN CASABLANCA (ASSUMING SUCCESSOR COMPANY TO ESSO-STANDARD MAROC INCLUDES ANOTHER INTERNATIONAL AS GOM APPARENTLY INTENDS). IT MOST RECENT ALKS DOUEIB APPEARED WILLING TO DROP THIS ALTOGETHER, THOUGH AT ONE POINT HE SAID HE "RESERVED HIS RIGHTS" ON MATTER.

4. FINAL AGREEMENT WHICH MUST BE NEGOTIATED CONCERNS SALE OF ESSO CHEMICALS IN MOROCCO. SINCE ESSO'S CHEMICAL AND OIL COMPANIES ARE SEPARATE, ROOT HOPES TO GET REPRESENTATIVES FROM CHEMICAL SIDE TO CASABLANCA NEXT WEEK TO COMPLETE NEGOTIATIONS WITH DOUEIB. ESSO CHEMICAL REP WILL FILL US IN ON RESULTS.

5. ROOT SAID THAT EARLIER AGREEMENT ON PRICE (\$5 MILLION) AND TAXES (ABOUT \$300,000) APPEARS FIRM. PAYMENT WOULD BE MADE IN DIRHAMS, ABOUT ONE-QUARTER OF WHICH COULD BE IMMEDIATELY REPATRIATED. REMAINING AMOUNT-AFTER TAXES ARE DEDUCTED-WOULD BE PAID ESSO IN 1,000 DIRHAM BONDS OF VARYING MATURITIES BEARING FIVE AND ONE-HALF PERCENT INTEREST. THESE IN TURN MIGHT BE SALABLE TO CERTAIN TYPES OF FIRMS INVESTING IN MOROCCO IF ESSO WANTS TO GET ITS MONEY
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FAST. ALL THIS APPARENTLY PRESENTS NO PROBLEM.

6. BESIDES AGREEING ON LANGUAGE OF TWO RECENTLY NEGOTIATED PARTS TO SETTLEMENT (PARA 2 ABOVE) ESSO'S LAWYERS IN LONDON MUST ALSO GIVE FINAL APPROVAL TO USE OF ESSO TRADEMARK IN MOROCCO FOR 18 MONTHS AFTER AGREEMENT. ROOT THOUGHT THIS WOULD GO THROUGH.

7. COMMENT: ROOT SEEMED QUITE OPTIMISTIC THAT THINGS WERE NOW ON THE RAILS, AND AGAIN EXPRESSED THANKS FOR USG ROLE IN MOVING NEGOTIATIONS ALONG. HE SAID THAT HE REMAINS PLEASANTLY SURPRISED SNPP IS SO INTERESTED IN HAVING ESSO PRESENCE HERE. MONJO

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